

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 NEA-10 IO-13 ISO-00 AGRE-00 CIAE-00
COME-00 EB-07 INR-07 LAB-04 NSAE-00 SP-02 STR-04
TRSE-00 CIEP-01 FRB-03 OMB-01 AID-05 CEA-01 SIL-01
SS-15 NSC-05 L-03 PA-01 PRS-01 /104 W
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R 201658Z JAN 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 2824
INFO ALL EC CAPITALS 3010
USDEL MTN GENEVA
USMISSION GENEVA
OECD PARIS 3936
AMEMBASSY OTTAWA
AMEMBASSY TOKYO
AMEMBASSY NEW DELHI

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E.O.11652: N/A
TAGS: ETRD EEC US
SUBJECT: US-EC BILATERAL TEXTILE TALKS

1. SUMMARY: ON JANUARY 17, US TEXTILE TEAM EXPLAINED TO COMMISSION TEXTILE OFFICIALS US REASONS FOR CONTINUING TO SEEK AN UNCHANGED EXTENSION OF THE MULTI-FIBER AGREEMENT (MFA) AND SOUGHT COMMISSION ASSISTANCE IN PERSUADING MEMBER STATES TO GO ALONG WITH THIS STRATEGY. COMMISSION OFFICIAL RESPONDED THAT IT WAS POLITICALLY IMPOSSIBLE FOR THE COMMUNITY TO FOLLOW THIS TACTIC. PERSUADING THE PROTECTIONIST MEMBER STATES WOULD REQUIRE AT LEAST SOME "INTERPRETATIONS" OF THE AGREEMENT. COMMISSION PLEADED FOR SOME US RECOGNITION OF THEIR CONCERNS IF WE WANT EARLY RENEWAL. OTHER SUBJECTS DISCUSSED WERE THE CANADIAN ARTICLE XIX ACTIONS AND THE COMMUNITY'S PROPOSED CONSULTATIONS WITH INDIA ON HANDLOOM
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PRODUCTS. END SUMMARY.

2. US TEXTILE TEAM CONSISTING OF SMITH (STR, CHIEF TEXTILE NEGOTIATOR), SHEPHERD (COMMERCE), AND ANGEVINE (STATE) ACCOMPANIED BY MEMBERS OF MISSION HELD MEETINGS WITH SEVERAL COMMISSION TEXTILE AUTHORITIES: HIJZEN, DIRECTOR GENERAL FOR EXTERNAL RELATIONS; CASPARI, DEPUTY DIRECTOR FOR EXTERNAL

RELATIONS; MEYNELL, CHIEF COMMISSION TEXTILE NEGOTIATOR; SUTTON AND OTHERS. THIS CABLE INCLUDES THE SALIENT POINTS FROM THE SERIES OF MEETINGS.

3. RENEWAL OF MFA: SMITH SAID THAT THE UNITED STATES FAVORED EARLY RENEWAL OF THE MFA AND THAT IT CONSIDERED THAT THE ONLY PRACTICAL WAY TO RENEW THE AGREEMENT WAS TO EXTEND IT UNCHANGED. IT WAS THE US JUDGMENT THAT THE EXPORTING COUNTRIES WOULD BE UNWILLING TO NEGOTIATE AN AGREEMENT ALTERED IN FAVOR OF THE IMPORTING COUNTRIES UNLESS THEY PAID A PRICE. THE UNITED STATES IS UNWILLING TO PAY A PRICE FOR TIGHTENING UP THE AGREEMENT. THE USG AND PARTICULARLY US INDUSTRY ARE NOT ENAMORED OF THE AGREEMENT, BUT USG DOES NOT SEE ANY ALTERNATIVE. US INDUSTRY ALSO HAD CHANGES IT WANTED IN THE AGREEMENT, AND SO DID OTHERS, BUT ONCE ONE MOVES BEYOND THE GOAL OF UNCHANGED RENEWAL, THE GOALS OF THE PARTICIPANTS DIFFER SO WIDELY THAT WE STRONGLY DOUBT A CONSENSUS COULD BE REACHED. THE UNITED STATES HAD NOT TRIED TO ISOLATE THE COMMUNITY IN THE LATEST SESSIONS AT GENEVA BUT HAD FOUND THAT, AS IT PREDICTED, THE EXPORTING COUNTRIES WERE WILLING TO GO ALONG WITH AN EXTENSION OF THE AGREEMENT, UNCHANGED. (SUTTON LATER TOLD US THAT THE COMMISSION HAD BEEN QUITE SURPRISED BY THE EXPORTING COUNTRIES' LINE-UP IN GENEVA -- A REAL US DIPLOMATIC COUP.)

4. MEYNELL RESPONDED THAT THE COMMUNITY WOULD NOT BE ABLE TO GO ALONG WITH A COMPLETELY UNCHANGED AGREEMENT THOUGH AT ONE POINT LAST FALL HE HAD BELIEVED A "QUICK FIX" POSSIBLE. BY NOVEMBER, HOWEVER, THE SITUATION HAD CHANGED AND HE HAD WARNED THAT SUCH A TACTIC WOULD NOT WORK. IN DECEMBER, COMMISSION HAD LIMITED OFFICIAL USE

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DRAFTED ITS PROPOSAL TO THE COUNCIL IN SUCH A WAY THAT IT TOOK ACCOUNT OF CONCERNS THAT MEMBER STATES WILL REFUSE TO ALLOW TO BE OVERLOOKED. THE PROPOSAL, HOWEVER, WOULD ALLOW THE POSSIBILITY OF AGREED "INTERPRETATIONS" AND WOULD NOT NECESSARILY REQUIRE MORE THAN MINOR CHANGES IN THE TEXT OF THE AGREEMENT.

5. HIJZEN AND CASPARI, AT LUNCH WITH AMBASSADOR PRESENT, STRONGLY SECONDED MEYNELL'S JUDGMENT THAT POLITICAL REALITY IN THE COMMUNITY WOULD NOT ALLOW MERE ACCEPTANCE OF AN UNCHANGED AGREEMENT. (WE HAVE BEEN TOLD THAT THE ROOT OF THE PROBLEM IS THE UNSATISFACTORY AGREEMENTS THE COMMUNITY HAS NEGOTIATED.) HIJZEN

SAID THAT IF THE US JUDGMENT WAS CORRECT THAT LDC'S WOULD NOT ACCEPT TIGHTENING AND THE COMMISSION'S JUDGMENT WAS RIGHT THAT THE MEMBER STATES WOULD NOT ACCEPT CONTINUATION OF THE STATUS QUO, THEN THE EXERCISE IS DOOMED. THE TASK OF THE NEGOTIATORS IS TO FIND THE MIDDLE GROUND. IT MIGHT BE TRUE THAT THE COMMUNITY IS ISOLATED NOW SINCE THE UNITED STATES DOES SEEM TO BE ABLE TO ACCEPT AN UNCHANGED AGREEMENT. HOWEVER, THE PURPOSE OF THE

EXERCISE SHOULD NOT BE TO ISOLATE THE COMMUNITY -- NO AGREEMENT
IS POSSIBLE WITHOUT THE COMMUNITY -- BUT TO ACHIEVE EARLY RENEWAL.

6. MEYNELL SAID THAT THE UNITED STATES COULD ASSIST THE
COMMUNITY BY RECOGNIZING THE LEGITIMACY OF SOME OF THE COMMUNITY'S
"THEMES" ON WAYS IN WHICH THE AGREEMENT COULD BE IMPROVED.
HIJZEN SAID THAT IT WAS TOO MUCH TO EXPECT THE UNITED STATES
TO AGREE WITH THE COMMUNITY'S THEMES BUT THROUGH A CAREFUL
CHOICE OF LANGUAGE THE UNITED STATES COULD IN THE NEXT GATT
MEETINGS AT LEAST ADMIT THAT THE COMMUNITY'S CONCERNS ARE
WORTHY OF CONSIDERATION. THIS WOULD SERVE TOW PURPOSES:
1) IT WOULD REASSURE THE MEMBER STATES WHICH, SUSPICIOUS,
MIGHT OTHERWISE REQUIRE A SPECIFIC COMMUNITY MANDATE EMBODYING
CHANGES IN THE AGREEMENT. IF THE MEMBER STATES WHICH WERE
MOST CONCERNED ABOUT THE AGREEMENT FELT THERE WAS SOME POS-
SIBILITY THAT THE SITUATION COULD BE IMPROVED THROUGH INTER-
PRETATIONS THEY WOULD NOT BE SO DEMANDING. THERE ARE MANY IN
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THE COMMUNITY WHO WOULD LIKE TO SEE THE AGREEMENT COLLAPSE. THEIR AR
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GUMENTS NEED TO BE SPIKED. 2) THE EXPORTING COUNTRIES WOULD
NOT SO EASILY BE ABLE TO HIDE BEHIND THE UNITED STATES IN
INSISTING ON AN UNCHANGED AGREEMENT.

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7. HIJZEN SAID THAT IN THE PAST THE COMMUNITY HAS HAD TO HELP THE UNITED STATES WHEN THE UNITED STATES WAS IN POLITICAL DIFFICULTIES AND NEEDED TO TAKE ACTION VIS-A-VIS THIRD COUNTRIES (HE CITED THE FIRST US ATTEMPT TO RESTRICT JAPANESE TEXTILES, WHICH HE SAID, THE JAPANESE HAD ACCEPTED ONLY AFTER THE COMMUNITY HAD INDICATED NO OBJECTIONS.) NOW WAS THE TIME WHEN THE COMMUNITY NEEDED US ASSISTANCE IN ORDER TO GET A REASONABLE MANDATE FOR RENEWAL.

8. DESPITE CONSTANT PRESSING BY SMITH, MEYNELL WAS UNABLE TO GIVE ANY ESTIMATE OF EXACTLY WHAT THE COMMUNITY WAS TRYING TO OBTAIN OR HOW FAR THE AGREEMENT WOULD NEED TO BE "REINTERPRETED" TO OVERCOME MEMBER STATE OBJECTIONS. (WE THOUGHT IT PARTICULARLY USEFUL TO HAVE HIJZEN AND CASPARI SEE FOR THEMSELVES HOW IMPRECISE MEYNELL HAS BEEN ON THIS CRUCIAL POINT.)

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9. SMITH SAID THAT WITHOUT KNOWING JUST WHERE THE EC WAS TRYING TO GO, IT WOULD BE IMPOSSIBLE TO JUDGE THE NEGOTIATING POSSIBILITIES. SMITH DID NOT DISAGREE ON THE DESIRABILITY TO IMPORTING COUNTRIES OF SOME OF THE EC THEMES; HE SIMPLY NOTED THAT A NUMBER OF THEM WOULD ALREADY BE PERMITTED BY A LIBERAL INTERPRETATION OF THE PRESENT TEXT AND EXPRESSED STRONG CONCERN THAT SEEKING ANY AGREED REINTERPRETATIONS WOULD INEVITABLY LEAD TO LDC REQUESTS FOR CONCESSIONS. ON SPECIFICS, HE SAID THE UNITED STATES WOULD AGREE WITH THE COMMUNITY ON THE NEED TO AVOID "FORESTALLING" -- I.E. PROLONGED NEGOTIATIONS ALLOWING BIG BASES TO BE ACCUMULATED. UNITED STATES, HOWEVER, HAD DIFFICULTIES WITH OTHER COMMUNITY THEMES FOR REINTERPRETATION. IT COULD NOT ACCEPT THE PRINCIPLE THAT HIGH IMPORT PENETRATION WOULD ALLOW LOWER RATES OF GROWTH ACROSS THE SPECTRUM IF THIS MEANT THAT THE UNITED STATES WITH LOWER PENETRATION HAD TO ACCEPT HIGHER RATES OF GROWTH. ON A PRODUCT-BY-PRODUCT BASIS, HOWEVER, THE UNITED STATES BELIEVED THAT THE CURRENT AGREEMENT ALREADY ALLOWED AN INTERPRETATION THAT SPECIAL CIRCUMSTANCES COULD ALLOW DIMINISHED RATES OF GROWTH FOR SPECIFIC PRODUCTS. HIJZEN RESPONDED THAT THE COMMUNITY COULD NOT EXPECT THE UNITED STATES TO PAY A PRICE IN HIGHER RATES OF GROWTH IN ORDER TO ALLOW THE COMMUNITY TO TOLERATE LOWER RATES OF GROWTH. ON THE QUESTION OF PRICING BEING A DETERMINANT FOR TEXTILE CONTROLS, SMITH SAID THE AGREEMENT ALREADY ALLOWS THIS CONSIDERATION.

10. MEYNELL OUTLINED HIS TIMING FOR CONSIDERATION OF THE COMMUNITY'S MANDATE. THE MEMBER STATES WOULD MEET AGAIN ON JANUARY 20 TO ALLOW FURTHER DISCUSSION OF THE COMMISSION'S PROPOSALS AND THE MATTER WOULD THEN NEED TO GO TO THE COREPER IN PREPARATION FOR THE COUNCIL OF FEBRUARY 8 SO THAT A POLITICAL-LEVEL DECISION COULD BE TAKEN ON WHETHER OR NOT THE COMMUNITY WOULD HAVE A POSITION IN TIME FOR THE LATE FEBRUARY GENEVA MEETINGS. (THE SUBSEQUENT FOREIGN MINISTER COUNCIL IS MARCH 8.) THE COMMISSION COULD NOT PROMISE THAT THE COMMUNITY WOULD REACH A DECISION BY THAT TIME, BUT CONSTANT US REPETITION OF LIMITED OFFICIAL USE

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ITS DESIRE TO EXTEND AN UNCHANGED AGREEMENT WOULD BE LIKELY TO SLOW DOWN THE COMMUNITY'S PROCESS AND AT THE WORST RESULT IN A SPECIFIC MANDATE FOR TEXTUAL CHANGES.

11. OTHER SUBJECTS:

A. GATT ARTICLE XIX AND MFA ARTICLE 3. SMITH AND MEYNELL BOTH EXPRESSED CONCERN OVER RECENT CANADIAN SAFEGUARD ACTIONS TAKEN UNDER PROVISIONS OF GATT ARTICLE XIX AND COVERING A SIGNIFICANT PORTION OF CANADIAN TEXTILE IMPORTS. BOTH AGREED THAT THE DRAFTERS OF THE MFA HAD ENVISAGED USE OF ARTICLE 3 OF THAT AGREEMENT, RATHER THAN GATT XIX, IN CASES OF MARKET DISRUPTION. FURTHER USE OF XIX, WHERE MOST LDC'S HAD LITTLE OF VALUE ON WHICH TO RETALIATE, BY DEVELOPED COUNTRIES WOULD LEAD TO LDC CHARGES THAT THE IMPORTING COUNTRIES WERE ACTING IN BAD FAITH AND WOULD TAKE AWAY THEIR JUSTIFICATION FOR REMAINING IN THE AGREEMENT. SINCE ARTICLE XIX ALLOWED IMPORTING COUNTRIES TO DEPART FROM AGREED BASE YEAR FIGURES, FURTHER USE OF IT BY CANADA OR OTHERS WOULD INCREASE PRESSURES IN UNITED STATES AND EC TO DO LIKEWISE IN DIFFICULT CASES.

B. INDIAN HAND-LOOMED PRODUCTS. MEYNELL SAID HE WAS GOING TO NEW DELHI NEXT WEEK TO SEEK INDIAN AGREEMENT TO LIMIT EXPORTS OF "HAND-LOOMED" PRODUCTS INTO THE EC. US AND EC SIDES AGREED THAT PRODUCTS INDIANS CLASSIFIED AS HAND-LOOMED DID NOT FIT USUAL DEFINITION OF THIS PRODUCT AS SEWING MACHINES WERE USED FOR FINISHING. EC EXPRESSED ENVY OF US ACTION IN OBTAINING INDIAN AGREEMENT ON QUANTITATIVE LIMITATIONS ON THIS LINE OF PRODUCTS AND REGRET THAT IT NOT COVERED IN EC-INDIA AGREEMENT. MEYNELL AND SUTTON INDICATED THAT EC COMMISSION MUST OBTAIN AGREEMENT FROM INDIANS SHORTLY OR FACE A SERIOUS CRISIS WITH CONCERNED MEMBER STATES. MEYNELL DID NOT EXCLUDE UNILATERAL ACTION, IN WHICH HE WOULD SEEK TO LAY PART OF BLAME AT US DOOR.

12. COMMENT: AT PRESENT TIME, COMMISSION WORKING-LEVEL OFFICIALS, UP TO AND INCLUDING HIJZEN, BELIEVE THEY ARE PURSUING A COURSE THAT WILL EVENTUALLY OBTAIN EC SIGNATURE ON A RENEWED MFA, LIMITED OFFICIAL USE

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MODIFIED OR INTERPRETED SLIGHTLY TO MEET MEMBER STATE CONCERNS.
WHAT IS PARTICULARLY CLEAR IS THEIR CONVICTION THAT THERE IS NOT
A PRAYER OF GETTING EC ADHERENCE WITHOUT SOME ATTENTION TO FRENCH
AND UK CONCERNS. WE SEE NO REASON TO GIVE UP ON THEM UNTIL THEY
HAVE PLAYED OUT THEIR CURRENT SCENARIO NEXT MONTH. WE WILL WORK
IN NEXT FEW WEEKS TO ENSURE THAT COMMISSIONERS NEW TO THIS ISSUE
(DAVIGNON, HAVERKAMP AND JENKINS) UNDERSTAND ITS IMPORTANCE.
(WE HAVE BEEN TOLD THAT THERE IS STRONG REASON TO BELIEVE THAT
JENKINS, REALIZING THAT THE COMMISSION HAS NOT BEEN EFFECTIVE IN
TEXTILES, HAS PROMISED A MAJOR ROLE TO DAVIGNON.) HINTON

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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Disposition Remarks:
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